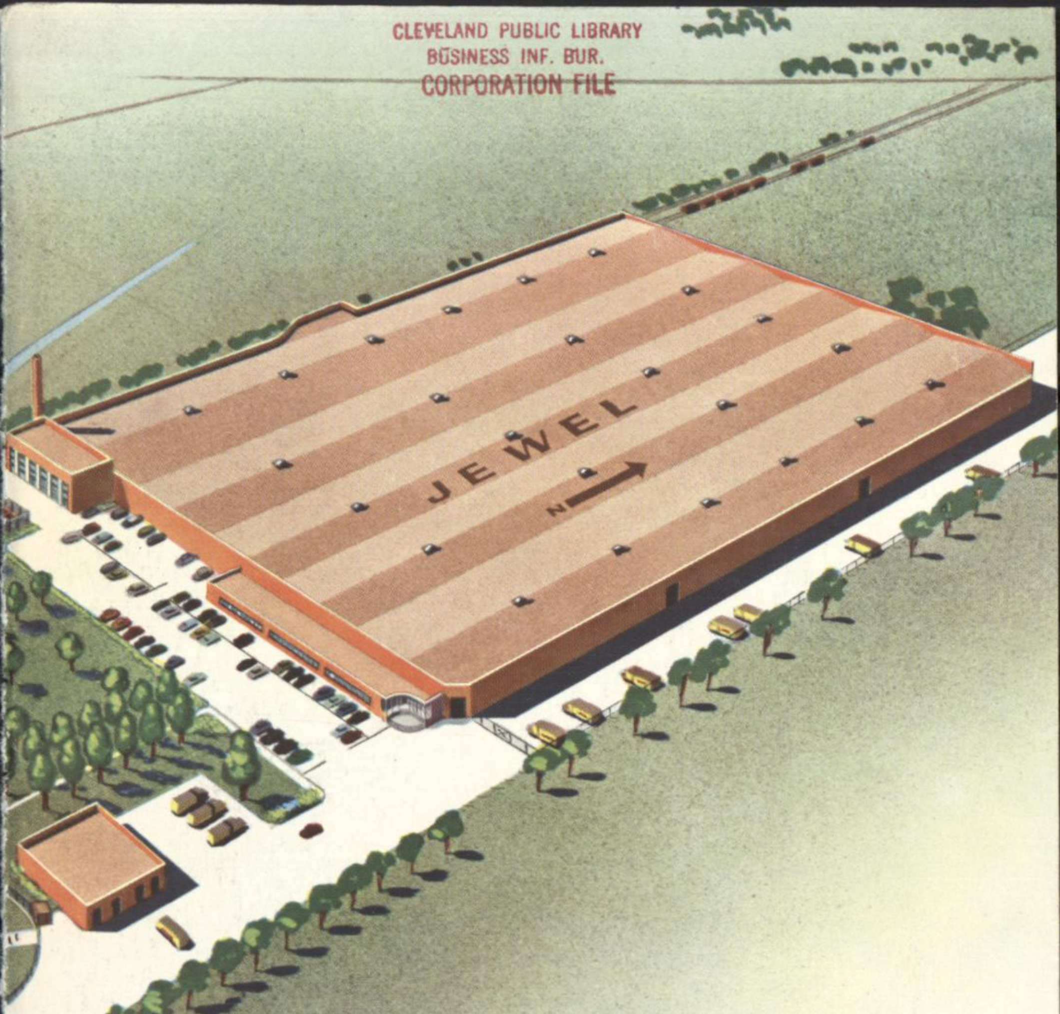


Annual Report
1953

Jewel Tea Co., Inc.
Jewel Park
Barrington, Illinois

Report

for the Fifty-two Weeks
Ended January 2, 1954

Jewel Tea Co., Inc.

Jewel Park
Barrington, Illinois

The Cover

The front and back cover shows an artist's drawing of our planned warehouse and executive office to be located in Melrose Park, Illinois, just west of Chicago. The warehouse, which will contain approximately 500,000 square feet of floor space, and the two-story office building of 52,000 square feet will be occupied not later than early 1955.

Spotlight on the Year's Results

	1953	1952
Retail sales	$242,695,450	$226,291,961
Earnings:		
Before all taxes	$ 12,486,340	$ 11,649,982
After all taxes	3,373,238	3,159,060
Reinvested in the business	902,386	916,266
Earned per share of common stock*	$ 2.53	$ 2.56
Dividends per share of common stock*	1.77½	1.75
Net working capital	$ 26,865,207	$ 23,757,369
Ratio of current assets to current liabilities	2.7 to 1	2.8 to 1
New property, plant and equipment (net)	$ 4,180,553	$ 1,672,942
Depreciation provision	2,025,555	2,033,462
Operating units:		
Number of Home Service Routes	2,137	2,126
Number of Retail Food Stores	164	160
Square feet of floor space	1,163,982	1,057,469
Shareowners	6,989	6,336
Employees	7,628	6,949

*All per share figures in this report are adjusted to reflect the 2-for-1 common stock split approved by shareowners on March 31, 1953. In addition, 1953 earnings per share are calculated on the basis of average shares outstanding, including the 141,757 shares sold in April, 1953.

Management's Report

February 10, 1954

To Jewel Shareowners and Employees:

This report describes your company's activities during the 52 weeks ended January 2, 1954, our 55th year. The prior year included 53 weeks and hence was longer than the current year by one week, or 1.9%.

Operating and financial facts for the past two years are summarized on the opposite page, while the trend of certain key items over the past several years is shown in the charts on pages 24 and 25. More detailed financial statements begin on page 16.

Investment for the Future

In the annual report for 1952 we mentioned three specific opportunities for future growth. First was a program of Retail Food Store expansion and modernization geared to 200 stores. Second was the opportunity to convert to self-service meat markets in all areas served by our Retail Food Stores under the terms of a new contract removing previous union restrictions that had prohibited self-service meat markets. Third was the acceptance of our Catalog Shopping Service by customers on the Home Service Routes.

In support of this program, 1953 witnessed a rapid expansion in our physical assets. Additions to property, plant and equipment were $4,180,553 after deducting the book value of capital assets sold or abandoned. This was two and one-half times the net capital additions in the previous year and compares with a depreciation provision of $2,025,555.

Based on operating budgets, net capital additions in 1954 should total approximately $8,500,000, including payments on Jewel's new Melrose Park office and warehouse buildings pictured on the cover. These new office and warehouse facilities are designed to satisfy re-

quirements which have accumulated from past growth as well as expansion planned for the future. In our Retail Food Stores, through the conversion of service markets to self-service, the replacement of old units and the enlargement of many existing locations, we shall be providing the modern services demanded by the public in the Chicago area and required to match competition. In addition, by opening new stores we hope to enlarge our sales and profit opportunities in new localities within our present operating territory.

Store Growth Program

In suppport of our Jewel Food Stores' growth program, 15 new stores were opened, 11 outmoded stores were closed and 5 stores were enlarged during 1953, bringing the total to 164 stores at the year end. In all, 106,513 square feet of floor space were added to the chain during the year, expanding the total to 1,163,982 square feet. As the new year began, 14 stores were under construction of which 10 are in localities we have not previously served.

The modern food store requires a self-service meat market, a parking lot, air conditioning, adequate space and equipment for frozen foods and other perishable items, plus equipment for the efficient handling of large customer traffic and heavy tonnage. With the exception of one store opened without a parking lot in a highly concentrated city community, all new Jewel Food Stores opened during the year were provided with these facilities. In addition, the meat departments of 34 existing stores were converted from service to self-service operation, and these stores were air conditioned. At the year end, 67 stores had self-service meat departments, 78 were air conditioned and 57 had parking lots.

This expansion has required not only a substantial investment in capital assets, but also additional expenses not encountered in a static business. These include expenses for training new people, special promotional work at new store openings, remodeling expense in connection with conversion to self-service meat markets, and the initial stocking of new stores and self-service markets with wrapping materials and the many other supplies used in store operation. Expenses of this character totaled approximately $550,000 for the year.

Catalog Shopping Service

Two years' experience with the Catalog Shopping Service gave us the needed background to appraise, adjust and improve this relatively new Home Service activity from the standpoints of catalog presentation, customer service, profitability of items carried, and accounting and control procedures. Partly because of these adjustments for the future, and partly due to unseasonable weather, write-downs of $392,856 on general merchandise inventories were made during the year and charged to operations.

Improved accounting and control procedures were developed, while merchandise lines were simplified and co-ordinated. The 1953 Christmas Catalog received the benefit of improved presentation features, which will be refined further in the 1954 Spring and Fall Catalogs. Shipments of catalog merchandise during the 1953 Christmas season were 32.9% above Christmas a year ago. Shipments for the year totaled $16,849,000 compared with $14,679,000 in 1952, a gain of 14.8%.

In addition to the intensive work on our Catalog Shopping Service, which is offered only on our routes and not in our stores, 29 new routes were added, 17 routes were closed out and one was sold during the past year. At the year end 2,137 routes were in operation in 42 states and the District of Columbia, a net increase of 11 during 1953. Also, in 1953, consolidation of branch distribution locations serving our routes resulted in a reduction in these facilities from 76 branches at the beginning of the year to 69 at the year end. It was the purpose of these consolidations to reduce overhead and supervision costs as well as the number of locations carrying inventories for distribution to the routes serving our customers.

Sales - Earnings - Dividends

For the tenth consecutive year retail sales set a new high totaling $242,695,450, or 7.2% above the previous year. The 1952 year was one week, or 1.9% longer than the 1953 year, as noted previously. Increases in tonnage as well as dollar sales were recorded

for all major commodity groups with the exception of coffee and grocery specialties on the Home Service Routes. Increased general merchandise sales more than offset the decline in coffee and grocery specialties. In the Retail Food Stores the sales gain was substantially larger than average for the chain grocery industry and came entirely from increased tonnage, with meats contributing more of the increase than any other commodity group.

Net earnings for 1953 were \$3,373,238 compared with \$3,159,060 in 1952, an increase of 6.8%. Earnings for 1952 included one extra week of operations and also a refund of excess profits taxes amounting to \$148,000 or \$.13 per common share. After preferred dividend requirements, earnings for 1953 were \$2.53 per common share based on 1,234,291 shares, the average number outstanding during the year. This compares with earnings of \$2.56 per common share in 1952, based on 1,131,814 shares outstanding at the end of that year. The change in the number of shares is explained in the footnote appearing on page 2 of this report.

In 1953 earnings were 1.4¢ for each sales dollar, the same as a year ago, as set forth in greater detail on page 12 of this report. Earnings were 2/5ths of a cent for each pound of food and other merchandise handled.

Total dividends on common stock declared from 1953 earnings were \$2,213,405 compared with \$1,979,441 from 1952 earnings. These amounts were equal to \$1.77½ and \$1.75, respectively, per share of common stock.

Coffee

Between midyear 1953 and the end of the year, the prices of green (raw) coffees advanced about 10¢ per pound largely because of the frost in Brazil last July 4th. Between the year end and the date of this report, green coffee prices have advanced 8½¢ per pound for a total of 18½¢ since the frost cut the yield of the Brazilian crop and the feared deficiency in world supply relative to current world demand exerted its influence in coffee markets.

The most recent spectacular rise in coffee has been well publicized and many have been tempted to denounce the industry engaged in the complicated process of bringing this popular beverage to the American table. The facts are that the retailer is tied to the price of roasted coffee and the roaster is tied to the price of the green bean. The price of the green bean is determined by the desire for coffee by consumers in America, bidding against others in Europe and other areas who also like coffee, for a larger share of a smaller supply. There has been very little change in consumption of coffee in the United States during the last 3 years. However, European consumption, which was 11 million bags per year prior to World War II and 5½ million bags in 1946, has recovered to an estimated 10 million bags in 1953.

It takes five years to grow a tree that will produce about a pound of coffee per year. When coffee consumption was growing rapidly and the world surplus was disappearing, millions of new trees should have been planted but the O.P.A. and the O.P.S. put a ceiling on prices that discouraged Brazilian growers burdened with inflation and increasing costs. Once again it has been demonstrated that it is impossible, long term, to avoid the aftermath of tinkering with free markets.

If world consumption of coffee holds near present levels, there would appear to be little chance of relief from the supply shortage until coffees from the Brazilian 1955 crop become available July 1, 1955. This relief will come only if coffee trees in Brazil fully recover from the effects of the frost and the weather is favorable during the growing season.

All segments of the coffee industry have suffered during this period of rapidly increasing prices. Green coffee when roasted loses about 15% of its weight; i. e., a 10¢ increase in the cost of green coffee represents not 10¢ but about 11½¢ increase in the cost of a pound of roasted coffee. Selling prices in this highly competitive industry lag behind increases in costs. This situation adversely affected your company's reported earnings during the last half of 1953.

Financial

Net working capital increased $3,107,838 during the year to total $26,865,207 at year end. The principal factor accounting for the increase was the sale of 141,757 common shares which were offered to shareowners last April in the ratio of one additional share for each eight shares held. Net proceeds received for these shares were $4,568,474.

Merchandise inventories at the year end totaled $18,927,505, slightly less than a year ago. In terms of weeks' supply, inventories declined from 5.9 weeks at the end of 1952 to 5.5 weeks at the end of 1953, reflecting higher sales volume. In particular, general merchandise inventories were reduced through closer stock control and the price reductions mentioned previously.

Green coffee inventories are valued on our balance sheet under the LIFO (last-in, first-out) method at an average of 32½¢ per pound, or less than half the market price of green coffee at the year end. During the year, our coffee LIFO reserve against possible future price declines increased $275,705 and now totals $1,726,455.

Accounts receivable increased $931,438 during the year to $6,667,805. Of the increase, $161,195 represented funds deposited in escrow for three branch buildings sold late in the year. The balance reflects expanded budget plan sales of general merchandise on the routes within the limits of our credit policy, which provides for a maximum credit of $75 per customer and a maximum repayment period of 20 weeks.

To provide the additional funds as needed to complete our current growth program, we have made standby arrangements with two large life insurance companies for additional long-term borrowings of $5,000,000, the full amount to be taken down by November 16, 1955. Interest will be 3¾% per annum on the amount borrowed and repayments will be spread over 23 years, beginning in November 1956.

A revolving bank credit totaling $3,000,000 was converted into a 7-year term loan on January 5, 1954. The effective interest rate on

this loan may vary from 2¼% to 2¾% depending on the rediscount rate at the Federal Reserve Bank of New York. The terms call for repayment of 8% of the principal amount in each of the years 1955 through 1960, with a final payment of the balance in 1961.

Further details on sources and uses of funds in 1953 are set forth on page 18 of this report.

Taxes

The annual cost to your company of government at the federal, state and local levels reached an all-time high in 1953. The total tax bill amounted to $9,113,102, including the company portion of social security taxes but excluding taxes paid directly by employees and shareowners. This is equal to $7.38 per share of common stock, or $100 per month for every full-time Jewel employee.

Prices and "Built-In Maid Service"

While rising prices for rents, utilities and other services have held the "cost of living" close to all-time highs, food prices have declined since 1952. Food prices in Jewel Food Stores during 1953 averaged 7.7% less than in 1952, and in December were 9.0% below a year ago. The lower prices charged our customers reflect the lower costs of merchandise which we purchased.

Modern food products reflect vast changes since grandmother's day. Grandmother bought flour, sugar and other ingredients and spent considerable time preparing her meals, doing the annual canning and performing other chores in keeping the family fed and comfortable. If she was lucky, she had a hired girl to help her.

The homemaker of today lives just as busy a life as grandmother did years ago, but she has many more outside interests, and runs her house with more time-saving household aids. For example, she can buy a packaged cake-mix which requires only water to make it oven-

ready, or a frozen pie which can be popped into the oven and baked in a jiffy. Practically every item of the average family's menu is more convenient—prepackaged fresh fruits and vegetables, pan-ready meats, table-ready salads and delicatessen items, instant coffee, even complete meals precooked and quick frozen. The homemaker today, through her own ingenuity and the help of the food and home appliance industries, is able to run her household and prepare meals more nutritious than grandmother's, without the aid of a maid or cook, yet devote more time to her family, her church and her community.

Our tastes in food have changed just as have our tastes in automobiles and houses. According to the U. S. Department of Agriculture, Americans are now spending 27% of income on food compared with 23% before World War II, but if they were to buy the same kinds of food, in the same quantities as before the war, the cost today would be only 18% of income. Consumers are now buying built-in services and conveniences, added to the products grown by the farmer. The food industry, through imagination and efficiency, has contributed additional satisfactions to the American family and a valuable outlet for the products of our farms.

Personnel

Mr. C. B. Thompson, who started with Jewel in 1917 and served as a Director since 1944, retired from active service on August 17, 1953. His unselfish devotion and wise counsel have contributed to Jewel's progress and growth. Mr. E. E. Hargrave, Vice President for Administration, was elected a Director to fill Mr. Thompson's place on your Board.

The Outlook

Since the experts in economic forecasting cannot agree on how the year 1954 will unfold, it would be presumptuous on our part to hazard a prediction. However, we do believe that spendable income in the hands of the people we serve will be maintained at a relatively high level, and on this there seems to be substantial agreement.

In such an environment, it is the responsibility of your management to strive to maintain its retail outlets in as good or better condition to serve the public than those of its competitors. This we are trying to do through our growth program. But in the final analysis, the success of this program will be found in the spirit of the organization and the desire of Jewel people to serve consumers better and more efficiently, as expressed in The Standards that Guide the Jewel Organization, which appear in the center spread of this report. Loyalty and interest in the job rather than short-term economic adjustments will decide Jewel's future.

The cooperation of many people lies behind our company's past record, and is the hope of all of us for the future. We welcome the opportunity to express in this message our appreciation for the never failing support of Jewel employees, shareowners and suppliers during the year 1953, and our confidence in their continued devotion to the company and its customers in the years ahead.

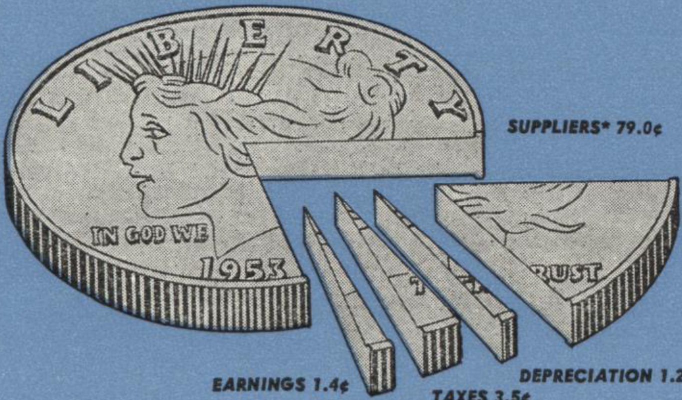
G. L. Clements
President

F. J. Lunding
Chief Executive Officer

For the Board of Directors

John M. Hancock
Chairman

How Our 1953 Sales Dollar Was Divided



Comparisons with 1952

and the 1946-1951 average

	1953	1952	1946-1951 Average
TOTAL SALES AND REVENUES (Millions of Dollars)	$ 244	$ 227	$ 157
DISTRIBUTION (Per $1 of Sales)			
Suppliers*, etc.	79.0¢	79.2¢	77.2¢
Employees, including social security taxes	14.9	14.7	15.5
Federal, state and local taxes	3.5	3.5	3.8
Depreciation, maintenance and repairs	1.2	1.2	1.0
Earnings	1.4	1.4	2.5
	$1.00	$1.00	$1.00

*Includes products, materials, services, rents, interest and doubtful accounts.

Fifteen Year Review

Operating Results

Year	Retail Sales	Payments to or for Employees	Taxes Paid (*Except Social Security*)	Per Common Share* Net Earnings	Per Common Share* Dividends
1939	$ 24,649,052	$ 5,776,771	$ 940,619	$1.41	$1.50
1940	29,089,863	6,179,988	1,232,662	1.41	1.20
1941	41,541,405	7,585,286	2,174,337	1.30	1.20
1942	53,077,779	8,773,444	2,238,733	1.02	.90
1943	52,212,105	9,371,233	1,416,182	.85	.57½
1944	56,899,845	10,544,661	2,508,641	1.06	.70
1945	63,364,000	11,846,044	3,381,001	1.16	.75
1946	88,237,518	15,455,305	3,644,382	2.36	1.37½
1947	130,477,490	20,301,740	4,612,106	2.79	1.50
1948	152,990,515	23,590,914	5,861,967	3.33	1.57½
1949	168,787,620	25,696,802	6,056,203	3.47	1.70
1950	188,688,928	28,099,258	7,864,143	3.58	1.60
1951	209,244,029	30,608,096	8,142,072	2.94	1.75
1952	226,291,961	33,451,893	7,928,396	2.56	1.75
1953	242,695,450	36,292,795	8,543,731	2.53	1.77½

*Adjusted for 2-for-1 stock split on April 1, 1953.

Financial Growth

At Year End	Working Capital	Property, Plant and Equipment	Accumulated Earnings (*Unappropriated*)	Total Assets
1939	$ 4,680,060	$ 2,547,016	$ 2,693,101	$10,048,473
1940	4,349,799	2,875,499	2,984,451	10,697,025
1941	8,482,145	4,098,007	2,394,903	16,478,214
1942	8,703,936	4,133,221	2,494,387	16,504,033
1943	9,310,997	3,606,478	2,810,398	16,668,472
1944	9,950,699	3,235,274	3,226,590	18,119,350
1945	10,477,657	3,170,386	3,701,801	19,882,034
1946	10,584,128	3,965,473	4,815,732	22,975,700
1947	12,316,903	6,009,800	5,883,706	28,252,954
1948	12,617,578	8,103,790	7,857,184	32,321,364
1949	13,327,459	9,456,800	9,789,539	34,910,525
1950	15,459,246	9,727,494	12,024,839	41,455,896
1951	22,808,160	11,523,249	13,367,208	49,313,240
1952	23,757,369	11,162,729	14,283,474	49,472,267
1953	26,865,207	13,317,727	15,185,860	57,634,234

ANDMENTS

OOD STORES

6. Low Prices . . . Because we're cash-and-carry, because we're big enough to buy in big lots and because our folks work as a team to avoid waste, we can sell everything at everyday rock-bottom prices . . . Exactly the same in all Jewel Stores.

7. Honest Weights . . . No funny business; no dried-out goods; no butcher's thumbs . . . You always get every ounce you pay for.

8. Variety of Foods . . . More good things to eat, more well-known brands, more variety of foods.

9. Fair Dealing . . . Everybody served in turn . . . The same friendly service to all customers.

10. Jewel Guarantee . . . We will never knowingly disappoint you. Money back on any purchase if you say so—and with the Jewel smile!

The Sta
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THE CODE FOR CUS
OF JEWEL HOM

1. **To Call on You Regularly Every Two Weeks . . .** On the same day of the week—as nearly as possible at the same hour of the day.

2. **To Allow You to Shop Freely . . .** To make your own selections—To anticipate your needs and help you shop quickly, easily, with no red tape and no high pressure—YOU order only what YOU want.

3. **To Offer You Only High-quality, Dependable Groceries, Household Supplies and General Merchandise** . . . First class, fresh and clean. (Any goods not meeting our rigid specifications will be clearly identified and specially priced.)

4. **To Present All Merchandise Honestly . . .** No false claims—No deceptive descriptions—Honest packages—No concealed "carrying charges" on Budget purchases.

5. **To Offer You Full Value . . . By Sharing:**

   - The savings from Jewel's large purchasing power in world markets.

Income Account

	52 Weeks Ended Jan. 2, 1954	53 Weeks Ended Jan. 3, 1953
Sales and Revenues:		
Retail sales	$242,695,450	$226,291,961
Other sales and revenues	978,188	720,911
Total sales and revenues	243,673,638	227,012,872
Cost of Doing Business:		
Paid to or for the benefit of employees:		
Payrolls	34,687,819	31,947,530
Social security taxes	569,371	562,526
Contribution to Jewel Retirement Estates	1,035,605	941,837
Total	36,292,795	33,451,893
Products, materials, services, rents and interest	191,904,909	179,202,623
Depreciation	2,025,555	2,033,462
Maintenance and repairs	850,072	625,745
Doubtful accounts charged to operations	683,338	611,693
Federal income taxes	3,352,000	3,163,000
Federal excess profits tax	—	(148,000)
State, local and all other federal taxes	5,191,731	4,913,396
Total cost of doing business	240,300,400	223,853,812
Net Earnings for the Year	3,373,238	3,159,060
Dividends on preferred stock	255,516	263,353
Earnings applicable to common stock	$ 3,117,722	$ 2,895,707
Earnings per share of common stock	$ 2.53	$ 2.56

The notes on pages 19 to 21 give additional


JEWEL TEA CO., INC.
TO TRADE

...STOMER SATISFACTION

...E SERVICE ROUTES

- The money we would otherwise have to spend in national advertising.
- The benefits of efficient operation.

6. **To Cheerfully Advance to You as Your Premium, Useful, Valuable Items (general merchandise) of Your Own Choice, Which You Receive as Your "Bonus for Trading"** . . . (This is Jewel's way of advertising.)

7. **To Leave with You (on your house card) an Accurate and Easy-to-Understand Record of** . . . Your purchases and payments—Balance due on your premium—Balance due on your Budget Account.

8. **To Refund Your Money and Cheerfully, without Argument, Take Back** . . . Any purchase that is not completely satisfactory to you.

9. **To Display an Interesting Variety of Merchandise for Your Selection** . . . A full basket of useful items —Well-illustrated catalogs — Easy-to-order-from Sales Flyers.

10. **To Serve You in a Friendly, Courteous, Helpful Manner at All Times . . . With Sincere Respect for You . . . Your Family . . . Your Home.**

THE TEN COMM
OF JEWEL F

1. **Clean and White** . . . Inside, outside, front and back . . . Swept, scrubbed, and shining.

2. **Friendliness** . . . The deep-down kind that comes from picking nice folks to work with us, and giving them good pay, fine working conditions, and a chance to get ahead.

3. **Self-Service** . . . Easy - to - reach shelves, easy-to-read labels and prices, easy-to-get-around aisles, easy-to-find merchandise, easy-to-wheel gliders, easy-to-get help when you want it.

4. **True Quality** . . . Careful, critical food-buying, better-than-Government requirements, kitchen testing of all new items and all big shipments.

5. **Freshness** . . . Early morning deliveries of iced-fresh produce at every store every day . . . Meats, fish, dairy products kept under constant refrigeration.


JEWEL
JEWEL

CO., INC.

Balance Sheet

	Jan. 2, 1954	Jan. 3, 1953
ASSETS		
Current Assets:		
Cash	$ 5,787,736	$ 5,739,815
Marketable securities	9,695,055	5,523,715
Accounts receivable	6,667,805	5,736,367
Inventories	18,927,505	18,959,645
Equity in retail store properties held for sale	720,528	—
Prepaid expenses and supplies	713,463	694,682
Total current assets	42,512,092	36,654,224
Deferred Charge—Premiums Advanced to Customers	1,804,414	1,655,313
Property, Plant and Equipment	13,317,727	11,162,729
Goodwill	1	1
	$ 57,634,234	$ 49,472,267
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$ 8,399,956	$ 6,276,787
Dividends payable	319,107	65,569
Accrued federal, state and local taxes	4,513,332	4,298,889
Accrued payrolls and profit sharing	2,414,490	2,255,610
Total current liabilities	15,646,885	12,896,855
Long Term Indebtedness	8,000,000	8,000,000
Capital Stock and Accumulated Earnings:		
Preferred stock	6,900,000	7,500,000
Common stock	11,029,270	6,299,442
Accumulated earnings—reserved for:		
Obsolescence and inventory valuation	750,000	750,000
Automobile accident and other self-insured losses	250,000	250,000
Accumulated earnings—unappropriated	15,185,860	14,283,474
	34,115,130	29,082,916
Less preferred stock in treasury	127,781	507,504
	33,987,349	28,575,412
	$ 57,634,234	$ 49,472,267

information about the financial statements.

Accumulated Earnings

(Unappropriated)

REINVESTED IN THE BUSINESS

Balance, January 3, 1953		$14,283,474
Net earnings for the year, from Income Account		3,373,238
		17,656,712
Deduct:		
Dividends to owners of the business:		
Preferred shareowners—$3.75 per share	$ 255,516	
Common shareowners—$1.77½ per share	2,213,405	
	2,468,921	
Premium on retirement of 6,000 shares of preferred stock	1,931	2,470,852
Balance, January 2, 1954		$15,185,860

SOURCE AND USE OF FUNDS

Year Ended January 2, 1954

Source of Funds:	
Net earnings for the year	$ 3,373,238
Provision for depreciation	2,025,555
Proceeds from sales of common stock	4,729,828
Increase in current liabilities	2,750,030
	$12,878,651
Use of Funds:	
Additions to property, plant and equipment (less book value of sales and retirements)	$ 4,180,553
Increase in cash and marketable securities	4,219,261
Net increase in all other assets	1,787,708
Dividends to owners of the business and premium on preferred stock retirements	2,470,852
Preferred stock purchases for sinking fund	220,277
	$12,878,651

The notes on pages 19 to 21 give additional information about the financial statements.

Information About the Financial Statements

MARKETABLE SECURITIES

Marketable securities have been valued at the lower of cost or market.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Items on the balance sheet have been reduced by an allowance for doubtful accounts as follows:

	Jan. 2, 1954	Jan. 3, 1953
Accounts receivable	$ 309,047	$ 247,408
Premiums advanced to customers	84,071	63,271

INVENTORIES

Inventories at January 2, 1954 were valued at the lower of cost or market. Cost, except for green (unroasted) coffee, was determined on the general principle of "first-in, first-out." Green coffee inventory cost was determined in accordance with the "last-in, first-out" (LIFO) method.

Inventories at year end consisted of the following:

	Jan. 2, 1954	Jan. 3, 1953
Green coffee and other raw materials	$ 2,819,602	$ 2,804,709
Finished merchandise	16,107,903	16,154,936
	$18,927,505	$18,959,645

EQUITY IN RETAIL STORE PROPERTIES HELD FOR SALE

The Company has retail food stores in various stages of completion, titles to which are held in land trusts. The costs financed out of corporate funds amounted to $720,528. The balance of the costs was financed through real estate mortgages aggregating $821,473, each of which is a lien or liability only against the specific piece of property involved.

PROPERTY, PLANT AND EQUIPMENT

It is company policy to acquire the use of retail store and branch office-warehouse properties under lease agreements wherever possible. These leases, presently 230 in number (generally for five-year terms but for no longer than ten years), do not include provisions for purchase of the subject properties nor the assumption of ownership obligations, and the annual commitments thereunder beyond five years are not significant.

Information About the Financial Statements

A schedule of property, plant and equipment, together with related allowances for depreciation, is shown in the table below:

	Jan. 2, 1954	Jan. 3, 1953
Cost:		
Land	$ 1,081,133	$ 778,547
Buildings	4,958,020	5,221,250
Motor vehicles	6,964,368	6,064,972
Store equipment, office equipment and machinery	10,430,794	8,350,054
Total cost of property, plant and equipment	23,434,315	20,414,823
Allowance for depreciation:		
Buildings	2,049,188	1,979,683
Motor vehicles	3,521,713	3,347,453
Store equipment, office equipment and machinery	4,545,687	3,924,958
Total allowance for depreciation	10,116,588	9,252,094
Book value of property, plant and equipment	$13,317,727	$11,162,729

LONG TERM INDEBTEDNESS

The company is indebted to two insurance companies for $5,000,000 on its 2.85% unsecured notes, payable in equal annual installments beginning February 1, 1962, with a final maturity on February 1, 1971.

The company is also indebted to a group of its principal banks for $3,000,000. This loan is unsecured and was on a revolving credit basis at a 2.25% interest rate until January 5, 1954, at which time it was converted into a term loan. Interest rate on the term loan ranges between 2.25% and 2.75%, and repayment terms call for 8% of the principal amount in each of the years 1955 through 1960, with a final payment of 52% in 1961.

On November 16, 1953, arrangements were completed with two insurance companies for additional loans in the amount of $5,000,000. The agreement provides for the issuance by November 16, 1955, of 3.75% notes, with the company having the option of taking down all or part of the funds at any time within the two-year standby period. Repayment is to be in equal annual installments beginning November 1, 1956, except that no installment will be due on November 1, 1960, with a final maturity on November 1, 1978.

Interest on long term indebtedness totaled $212,620 in 1953.

Information About the Financial Statements

PREFERRED STOCK - STOCK IN TREASURY

Preferred stock is 3¾% cumulative $100 par value, and 69,000 shares are authorized and issued at January 2, 1954. During the year 6,000 shares were formally retired in compliance with annual sinking fund requirements through June 30, 1953.

Under the Indenture provisions relating to the preferred stock, the Company must acquire annually on or before each June 30th at least 1,500 shares in connection with sinking fund requirements of the issue. On January 2, 1954 there were 1,350 shares of preferred stock in the treasury valued at acquisition cost of $127,781.

COMMON STOCK

During 1953, the common stock of the Company was changed from no-par to $1 par. The authorized shares were increased from 900,000 to 1,800,000 and the number of shares outstanding was doubled as a result of a 2-for-1 stock split effective April 1, 1953. In April, 1953, 141,757 shares were sold through a rights offering and net proceeds of $4,568,474 were credited to the Common Stock Account.

In 1953, an additional 4,856 shares were issued to employees under the terms of the company's employee stock purchase plan and the proceeds of $161,354 were credited to the Common Stock Account.

There was an average of 1,234,291 shares of common stock outstanding during 1953 and, at January 2, 1954, 1,278,427 shares of $1 par value stock were issued and outstanding, and carried at a stated value of $11,029,270.

ACCUMULATED EARNINGS *(Unappropriated)*

Under the terms of our Note Agreements with insurance companies and the preferred stock provisions of the certificate of incorporation (the terms of the Note Agreements governing) $7,320,684 is available as of January 2, 1954 for cash dividends on common stock.

Auditors' Report

Chicago, Illinois
February 8, 1954

To the Board of Directors,
Jewel Tea Co., Inc.:

We have examined the balance sheet of Jewel Tea Co., Inc., as of January 2, 1954, and the related statements of income, accumulated earnings and source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income, accumulated earnings and source and use of funds present fairly the financial position of Jewel Tea Co., Inc., at January 2, 1954, and the results of its operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Niven, Bailey & Smart

Certified Public Accountants.

Directors and Officers

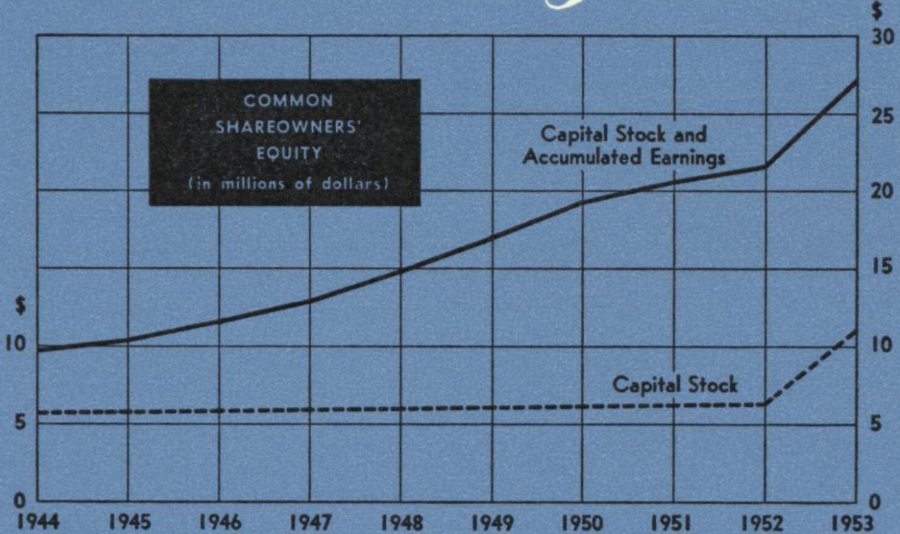
Directors

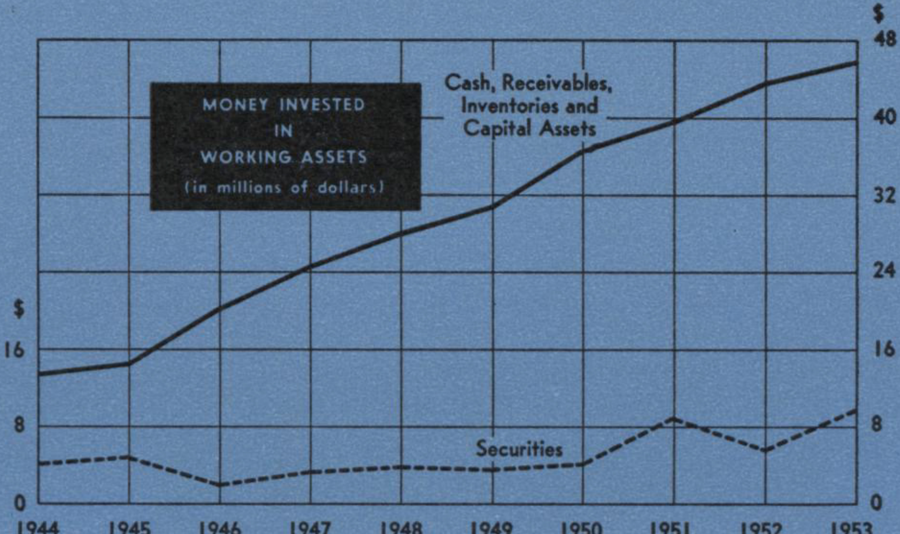
H. S. Bowers
G. L. Clements
J. M. Friedlander
W. A. Gerbosi
John M. Hancock
E. E. Hargrave
A. V. Jannotta
F. J. Lunding
E. H. McDermott
J. M. O'Connor
R. R. Updegraff

Officers

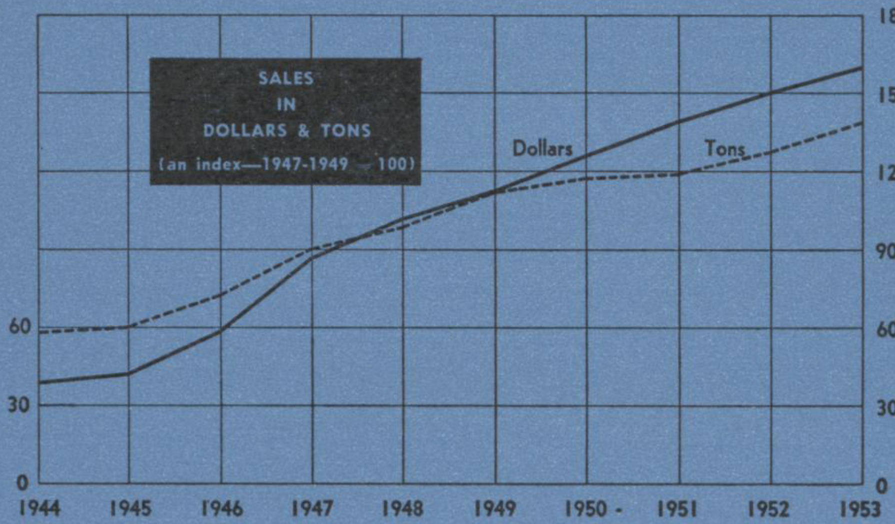
John M. Hancock	*Chairman of Board of Directors*
F. J. Lunding	*Chief Executive Officer*
G. L. Clements	*President*
J. M. Friedlander	*Chairman of Finance Committee*
C. W. Cederberg	*Vice Pres. Catalog and Gen. Merchandise*
W. A. Gerbosi	*Vice Pres. Routes Operating*
E. E. Hargrave	*Vice Pres. Administration*
C. A. Larson	*Vice Pres. Grocery Merchandising-Routes*
E. A. Miller	*Vice Pres. Stores Merchandising*
M. S. Morse	*Vice Pres. Stores Operating*
J. M. O'Connor	*Vice Pres. Imports*
F. L. Spreyer	*Vice Pres. Mfg., Warehousing and Transp.*
H. G. Homuth	*Treasurer*
R. D. Sturtevant	*General Counsel and Secretary*
H. O. Wagner	*Controller*
E. T. Vorbeck	*Gen. Attorney and Asst. Secretary*
R. W. Williamson	*Corp. Attorney and Asst. Secretary*

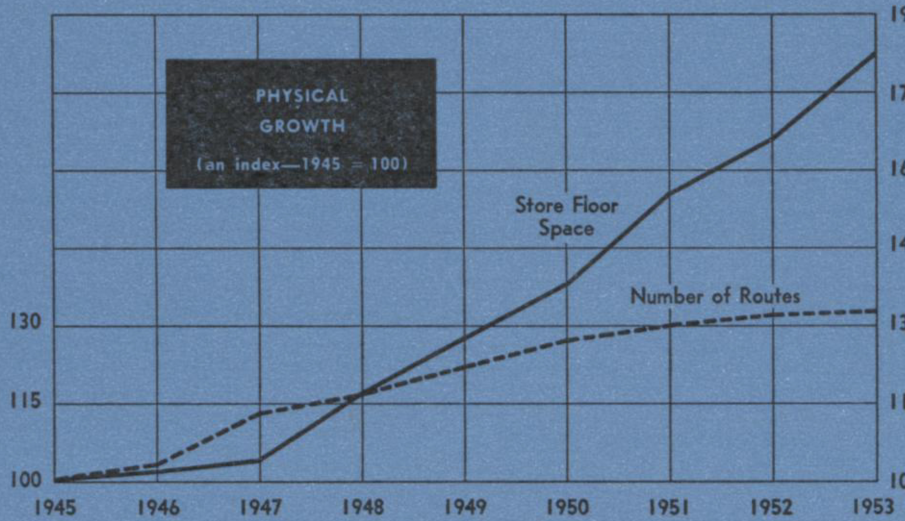
A PICTURE OF *Jewel's*





Growth


SALES
IN
DOLLARS & TONS
(an index—1947-1949 = 100)
Dollars
Tons
180
150
120
90
60
30
0
1944
1945
1946
1947
1948
1949
1950
1951
1952
1953


PHYSICAL
GROWTH
(an index—1945 = 100)
Store Floor
Space
Number of Routes
190
175
160
145
130
115
100
1945
1946
1947
1948
1949
1950
1951
1952
1953

Corporate Data

Jewel Tea Co., Inc.

A New York Corporation

PRINCIPAL OFFICES

Chief Executive Officer and Chairman, Finance Committee	135 South LaSalle Street, Chicago 3, Illinois
President and Corporate	Jewel Park, Barrington, Ill.
Jewel Food Stores	3617 South Ashland Avenue, Chicago 9, Illinois
Home Service Routes	Jewel Park, Barrington, Ill.
Importing	99 Wall Street, New York City

STOCK LISTING

$1 Par Common Stock and 3¾% Cumulative Preferred Stock listed on the New York Stock Exchange

TRANSFER AGENT

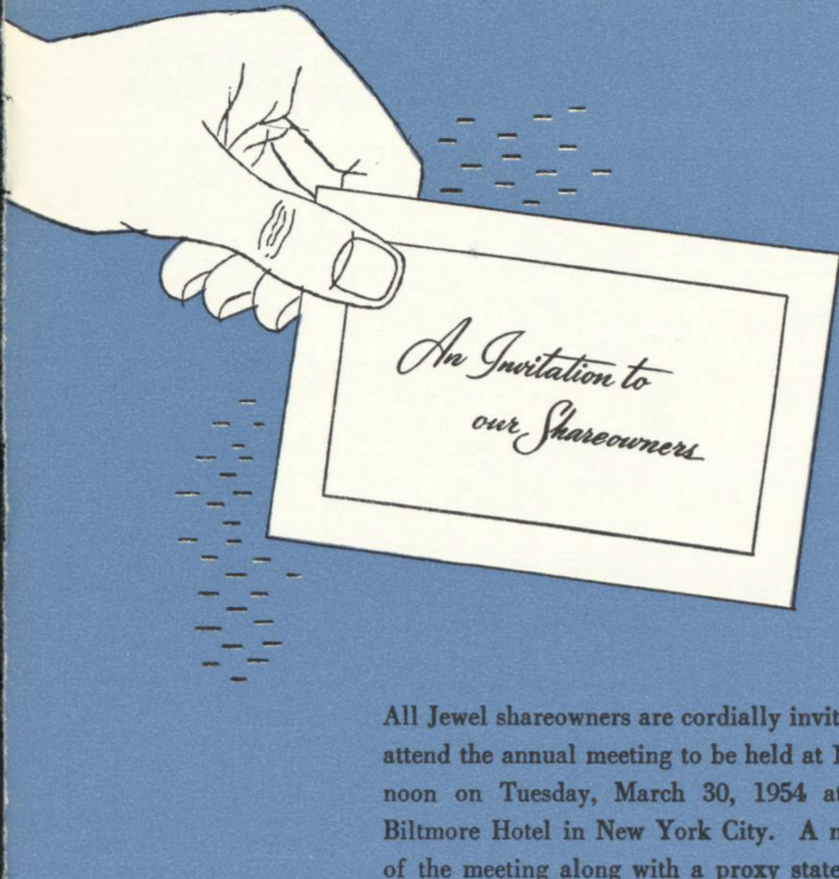
Manufacturers Trust Company, 55 Broad Street
New York 15, N. Y.

REGISTRAR

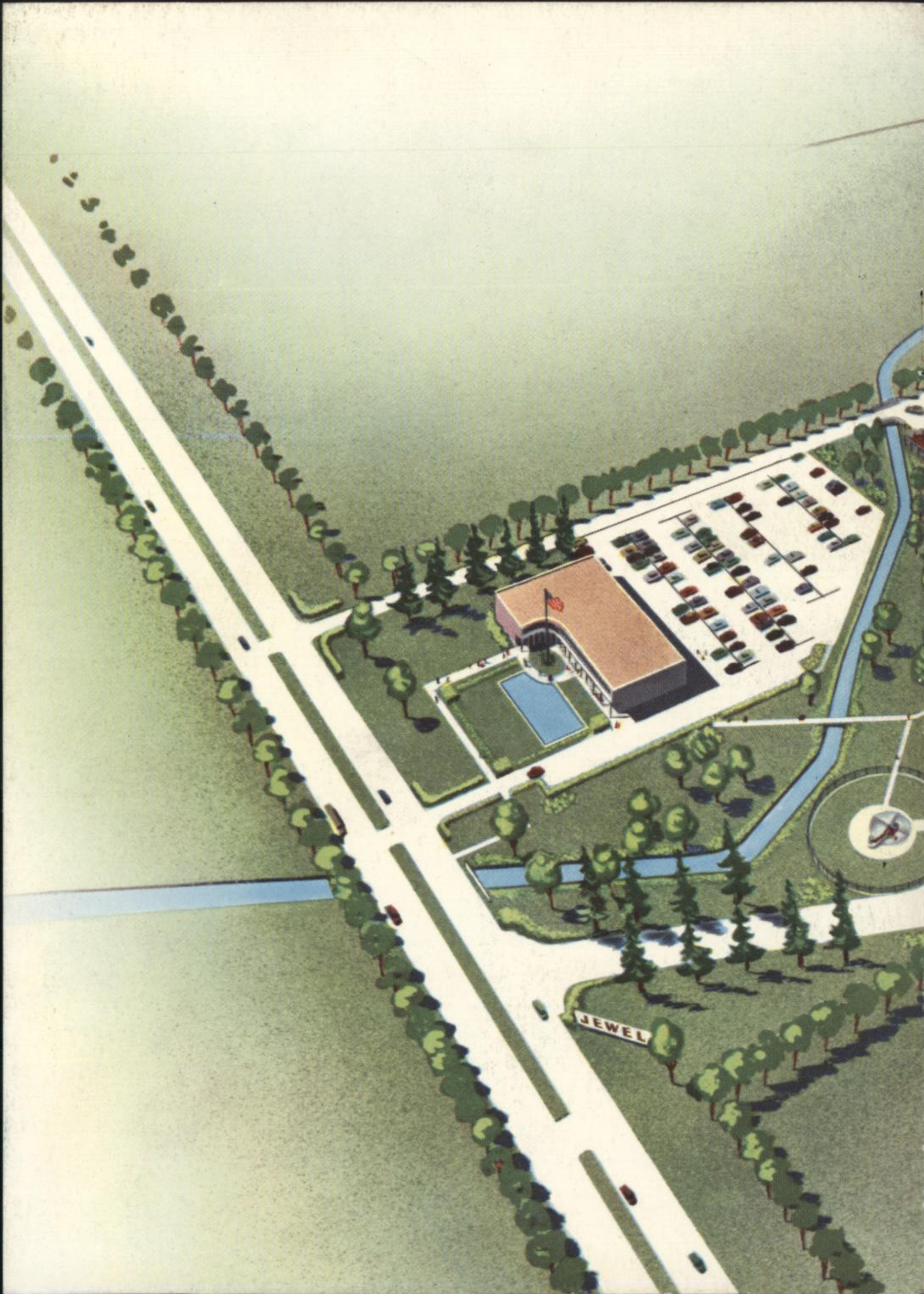
Bankers Trust Company, 46 Wall Street
New York 15, N. Y.

This report is submitted to the shareowners of the Corporation for their information and is not intended to be used in connection with the sale of or offer to sell any securities, nor is it intended to be information required to be included in a prospectus within the meaning of the provisions of the Federal Securities Act of 1933, as amended.

Notice of Annual Meeting



All Jewel shareowners are cordially invited to attend the annual meeting to be held at 12:00 noon on Tuesday, March 30, 1954 at the Biltmore Hotel in New York City. A notice of the meeting along with a proxy statement and proxy will be mailed on or about February 26, 1954 to the holders of common stock February 23, 1954. Comments or suggestions will be welcomed.


JEWEL